

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary Public

Date: 12/30/2016

GAIN Report Number: SH0002

China - Peoples Republic of

Post: Shenyang

This is Northeast China

Report Categories:

Market Development Reports

Approved By:

Roseanne Freese

Prepared By:

Roseanne Freese

Report Highlights:

Home to winter sports, ski resorts, and ancient Manchurian towns, Dongbei or Northeastern China is home to 110 million people. With a down-home friendliness resonant of the U.S. Midwest, Dongbei's denizens are the largest buyer of U.S. soybeans and are China's largest consumers of beef and lamb. Dongbei companies, processors and distributors are looking for U.S. products. Dongbei importers are seeking consumer-ready products such as red wine, sports beverages, and chocolate. Processors and distributors are looking for U.S. hardwoods, potato starch, and aquatic products. Liaoning Province is also set to open China's seventh free trade zone in 2018. If selling to Dongbei interests you, read on!

General Information:

This report provides trends, statistics, and recommendations for selling to Northeast China, a market of 110 million people.

This is Northeast China: Come See and Come Sell!

Home to winter sports, ski resorts, and ancient Manchurian towns, Dongbei or Northeastern China is home to 110 million people. With a down-home friendliness resonant of the U.S. Midwest, Dongbei's denizens are the largest buyer of U.S. soybeans and are China's largest consumers of beef and lamb. Dongbei companies, processors and distributors are looking for U.S. products. Dongbei importers are seeking consumer-ready products such as red wine, sports beverages, and chocolate. Processors and distributors are looking for U.S. hardwoods, potato starch, and aquatic products. Liaoning Province is also set to open China's seventh free trade zone in 2018. If selling to Dongbei interests you, read on!



Shenyang New World Expo in Liaoning Province spreads its wings over the Hun River.

CONTENTS	Page
Overview of the Region.....	5
Table: Northeast China's GDP.....	6
Northeast China's Infrastructure.....	6
Northeast China's Farming System.....	6
Table: Northeast China's Land Base.....	7
Table: Northeast China's Agricultural Cooperatives.....	7
Northeast China's Agriculture.....	8
Northeast China's Oilseed Processing Capacity.....	8
Table: Northeast China's Agricultural Output by Value.....	8
Table: Northeast China's Share in Grain Production.....	8
Table: Northeast China's Grain Output in 2015.....	9
Table: Northeast China's Oilseed Crushing Capacity.....	10
Table: Potato and Sorghum Production in Northeast China.....	10
Table: Northeast China's Livestock Cattle Output.....	10
Map: Soybean Production in China.....	11
Map: Corn Production in China.....	12
Map: Paddy Rice Production in China.....	13
Map: Sorghum Production in China.....	14
Map: Potato Production in China.....	15
Map: Sugarbeet Production in China.....	16
Map: Apple Production in China.....	17
Map: Pear Production in China.....	18
Map: Grape Production in China.....	19
Map: China's Beef Cattle Population.....	20
Map: China's Dairy Cattle Population.....	21
Map: China's Swine Population.....	22
Map: China's Poultry Population.....	23
Northeast China's Agricultural Imports.....	24
Table: China's Imports of Agricultural Products through the Port of Dalian.....	24
Table: Leading Imports of U.S. Products through the Port of Dalian in 2015.....	24
Table: China's Soybean Imports through the Port of Dalian by Volume.....	25
Table: Total Imports of Soybeans through the Port of Dalian by Value.....	25
Table: China's Wood Products Imports through the Port of Dalian.....	27
Table: China's Fishery Products Imports through the Port of Dalian.....	27
Northeast China's Retail Market.....	28
Table: Northeast China's Retail Food Sector.....	28
Liaoning Province Up Close.....	29
Jilin Province Up Close.....	31
Heilongjiang Province Up Close.....	33
Dongbei's Food Culture.....	34
Hot Consumer Trends.....	35
Introducing U.S. Products to the Dongbei Market: Getting Off on the Right Foot.....	35
Labeling and Packaging for Dongbei.....	37
Dongbei Trade Show Tips.....	38

Annual Agricultural Shows in Northeast China.....	38
Regional Trade Show Facilities.....	39
How to Contact the U.S. Agricultural Trade Office in Shenyang.....	40

[The Shenyang ATO would like to acknowledge the significant contributions made by Agricultural Marketing Specialists Mr. Rex Zhang, Ms. Wang Xiao Ju of the Shenyang ATO and Mr. Dennis Wen of the Guangzhou ATO in researching and drafting this report and for Ms. Hao Lin Lin for her editing.]

Overview of the Region:

Northeast China, called “Dongbei,” is the agricultural heartland of China and the country’s largest supplier of corn and soybeans. Consisting largely of Chinese from Shandong, Sichuan and the North China the 19th and 20th centuries, the Dongbei are hardworking, open, and straightforward. region is home to 110 million people and of the three provinces of Liaoning, Jilin and Heilongjiang. Dongbei has a land area of square kilometers and is roughly the size of Pakistan.



resettled
plain in
Chinese
The
consists

780,000

In 2015, Northeast China’s GDP reached \$912 billion and accounted for roughly nine percent of the total for all of China. From the 1950’s to the 1980’s, Dongbei was China’s pre-eminent heavy industrial base owing to its abundant coal reserves. Dongbei is also well known for its iron and steel, machine tools, petrochemicals, shipbuilding, aviation, and automobile manufacturing. Although Northeast China urbanized earlier than the rest of China, Dongbei began to lag behind much of the rest of the country in the 1990s. China’s dramatic growth spurt during the decade overtook Dongbei as rest if the country began to diversify and become more internationally competitive. Starting in the beginning of the 2000s, the Central Government realized the need to refocus and revitalize the region. While Northeast China continues to serve as China’s base for heavy industry, provincial leaders are now looking to mechanize and concentrate agriculture, especially for bulk commodities, livestock, feed, and dairy products. Dongbei’s provincial capitals are Shenyang in Liaoning Province, Changchun in Jilin Province, and Harbin in Heilongjiang Province. Each of these cities is home to five to ten million residents. Another city, the port city of Dalian is the wealthiest city in Dongbei and has five million residents. Dalian has the highest per capita income in the region, topping over \$14,000 in 2015. Dongbei has 30 more cities with populations over a million people each. Many of these more significant or “second-tier cities” have airports and more are under construction.

Per capital incomes for the three provinces are quite varied. In 2015 Heilongjiang reached \$6,100, Jilin attained \$8,100, and Liaoning surpassed \$12,000 for the first time. Shenyang, the capital of Liaoning Province, Dongbei’s richest province, is set to open China’s finest state-of the art international exposition center in March 2017. Dongbei is also home to 58 five-star hotels and vibrant winter tourism with ice festivals throughout the region and the Changbaishan Mountain Resort in northeastern Jilin Province. Dalian on the southeast coast of Liaoning Province is also a year-round resort city, especially popular with tourists from Japan, Korea, Russia and Chinese from other parts of the country.

Northeast China's GDP

Province	GDP (Billion U.S. Dollars)		
	2014	2015	Growth Rate
Liaoning	447	461	3.0%
Jilin	215	229	6.5%
Heilongjiang	229	242	5.7%
TOTAL	891	932	4.6%

Northeast China's Transportation Infrastructure

Railway infrastructure in the region is excellent. At the speed of 190 miles per hour, an exporter can travel 183 miles from Shenyang to Changchun in just 90 minutes. Back in the 1980s, this took 8 hours by local train. Similarly, the Dalian – Harbin High Speed Train can take the traveler 590 miles in just four hours. With its expected opening in 2018, the Beijing- Shenyang High Speed Train will connect Dongbei with the capital of China in just 2.5 hours – a distance of 390 miles. Back when the author first visited the region in 1987, it took 24 hours to travel by train from Beijing to Harbin; by 2018 it will take only eight.

Dongbei is also home to China's first modern superhighway, the Dalian-Shenyang Expressway, which was completed in 1990. Where mule carts were still a common sight in the provincial capitals in the 1980s, these have been replaced by 4,500 miles of superhighway, surrounded by hundreds of 40-story apartment building clusters. Shenyang, Changchun, and Harbin also all enjoy excellent subway systems.

Liaoning is the only province in the region with seaports. While Dongbei does not have any significant national E-Commerce providers, Dongbei's importers, distributors, and dealers are very comfortable with dealing with shippers located in other parts of China. One potential constraint on Dongbei direct importing is the lack of familiarity by northeast Chinese companies with U.S. suppliers and products.

Most of Dongbei's direct imports enter primarily through the Port of Dalian, which is located on the southeastern tip of Liaoning Province. Dalian was China's seventh busiest port in 2015. Formerly, it was the third busiest port in China in the beginning of the decade but corruption scandals in the province and expansion of port capacity in other parts of China have eroded that lead. Liaoning is also home to the Port of Yingkou, located west of Dalian. Yingkou in 2015 ranked ninth as China's busiest container port. Liaoning also has a number of smaller ports, including Jinzhou, Huludao, Panjin, and Dandong. The port of Dandong is located on the border of North Korea.

Northeast China's Farming System

China has three levels of farm systems, state farms, cooperatives, and privately leased land (all land is owned by the State). State farms are administered by Beijing. China has only two state farms, one is in China's far west, the Xinjiang Autonomous Region, and the other is in China's Northeast, in Heilongjiang. The Heilongjiang State Farm has 2.9 million hectares of arable land and accounts for about one quarter of Heilongjiang's total arable land. Heilongjiang State Farm's major crops are rice, corn and soybeans and all manner of dairy, forestry and aquaculture products.

Northeast China's Land Base

Province	Arable Land (1000 Hectares)
Heilongjiang	12,225
Jilin	5,615
Liaoning	4,164
NE China Total	22,004
China Total	165,446
NE China's Share	13%

Source: China Statistics Yearbook

Cooperatives are farms administered at the county level. As of June 2016, China has 1.74 million farmer cooperatives employing 42 percent of China's farmers. Cooperatives are semi-private organizations where farmers lease their land and rent their services to the cooperative and the cooperative managers handle all input costs and make all marketing decisions. Most cooperatives are organized for production (sharing tools, administering pesticides, bringing in the harvest) and not for marketing (collecting or reporting price data, forecasting, or participating in futures and other forms of commodity exchange). Data regarding land held by agricultural cooperatives is unavailable. Similarly, ATO Shenyang cannot identify the number of private farmers or their share of land holdings.

Northeast China Agricultural Cooperatives

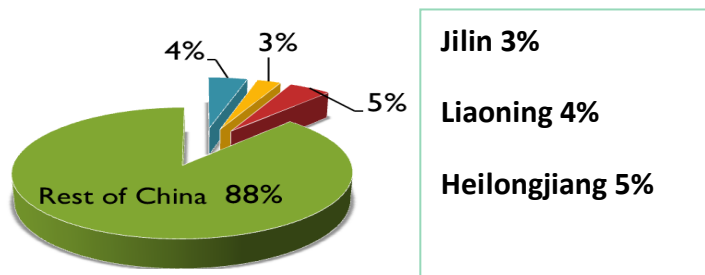
Province	Number of Cooperatives
Heilongjiang	69,000
Jilin	71,000
Liaoning	36,000
NE China Total	176,000
China Total	1,740,000
NE China's Share	10%

Source: China Professional Co-op Information Web

Northeast China's Agriculture

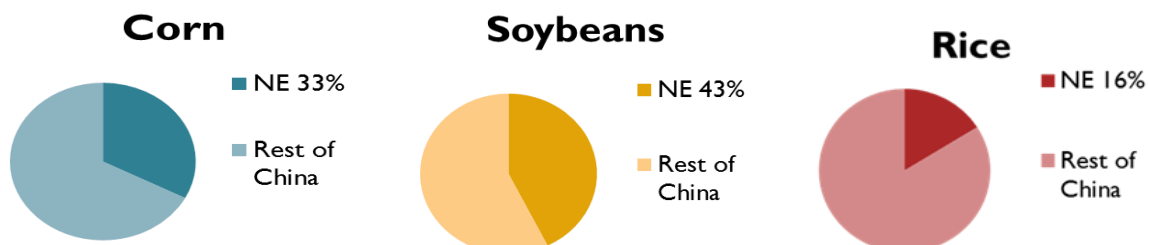
China has over 160 million hectares of arable land and Northeast China accounts for 12 percent. Situated on one of the world's largest belts of black earth, Dongbei is China's major grain producing region. Northeast China's agricultural output accounts for 12 percent of China's total. Dongbei produces about 33 percent of China's corn, 43 percent of China's soybeans, and 16 percent of China's rice.

Northeast China Agricultural Output (by Value)



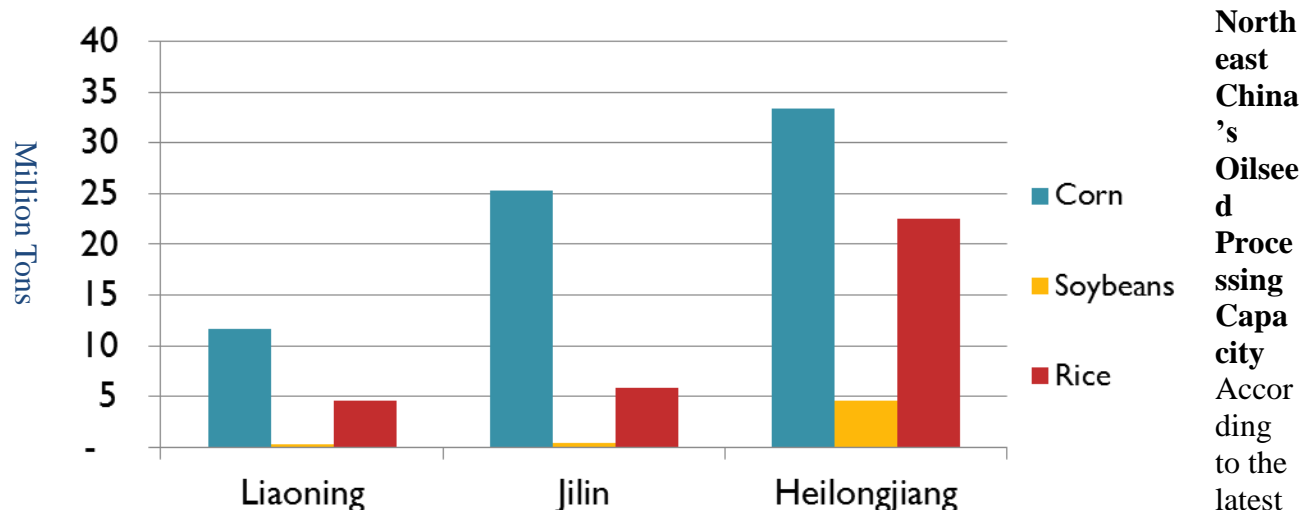
Northeast China Share of Grain Production in 2015

Source: China Statistical Yearbook 2015



Source: China Statistical Yearbook 2015

Northeast China's Grain Output in 2015



Source: China Statistical Yearbook 2015

there were 159 major soybean and rapeseed crushers in China in 2014. These crushers (all of which have a minimum daily crushing capacity of 1,000 metric tons) can crush up to a total 440,000 metric tons of oilseeds per day. China's eastern province of Shandong has the most crushers in China, with 28 facilities, while Heilongjiang has 20. Northeast China has a total of 38 oilseed crushing plants. Jiusan Grain & Oil Industrial Group (九三), headquartered in Harbin, is the largest crusher in northeast China. Jiusan is China's number one buyer of U.S. soybeans. Jiusan has eight crushers in China, six in northeast China, one in Tianjin City and one in Guangxi Province. Their total daily crushing capacity is 5,000 metric tons.

Northeast China Oilseed Crushing Capacity

Province	Number	Daily Crushing Capacity (Metric tons)
Heilongjiang	20	26,200
Jilin	8	15,400
Liaoning	10	31,500
NE China Total	38	73,100
China Total	159	438,300
NE China's Share	24%	17%

*Includes only crushers with daily crushing capacity of over 1,000 metric tons.

Source: China National Grain and Oils Information Center, Beijing, China

Potato and Sorghum Production in Northeast China:

2014	Potato (1.000 tons)	Sorghum (1.000 tons)
Liaoning	400	280
Jilin	560	848
Heilongjiang	1,070	213
NE Total	2,030	1,341
China	19,100	2,885
NE's Share	10.6%	46.5%

Source: China Statistical Yearbook 2015

Thanks to an abundant supply of animal feed, Dongbei's livestock industry is quite developed. The number of beef and dairy cattle in Northeast China accounts for 15 and 17 percent of China's total, respectively. Haoyue Foods (皓月食品), located in Jilin Province, has the largest beef cattle slaughtering and processing operation in China. Yili (伊利) and Mengniu (蒙牛), China's two giant dairy players, both have dairy farms and processing plants in Heilongjiang Province.

Northeast China Livestock Output

(1,000 head)	Dairy Cattle	Beef Cattle	Poultry	Hogs
Liaoning	316	3,234	41,490	15,588
Jilin	245	4,018	15,018	10,004
Heilongjiang	1,972	3,004	13,940	13,603
NE total	2,533	10,256	70,448	39,195
China total	14,991	70,409	577,904	465,827
Share	17%	15%	12%	8%

CHINA'S
SOYBEAN
PRODUCTION

Source: China Statistical Yearbook 2015

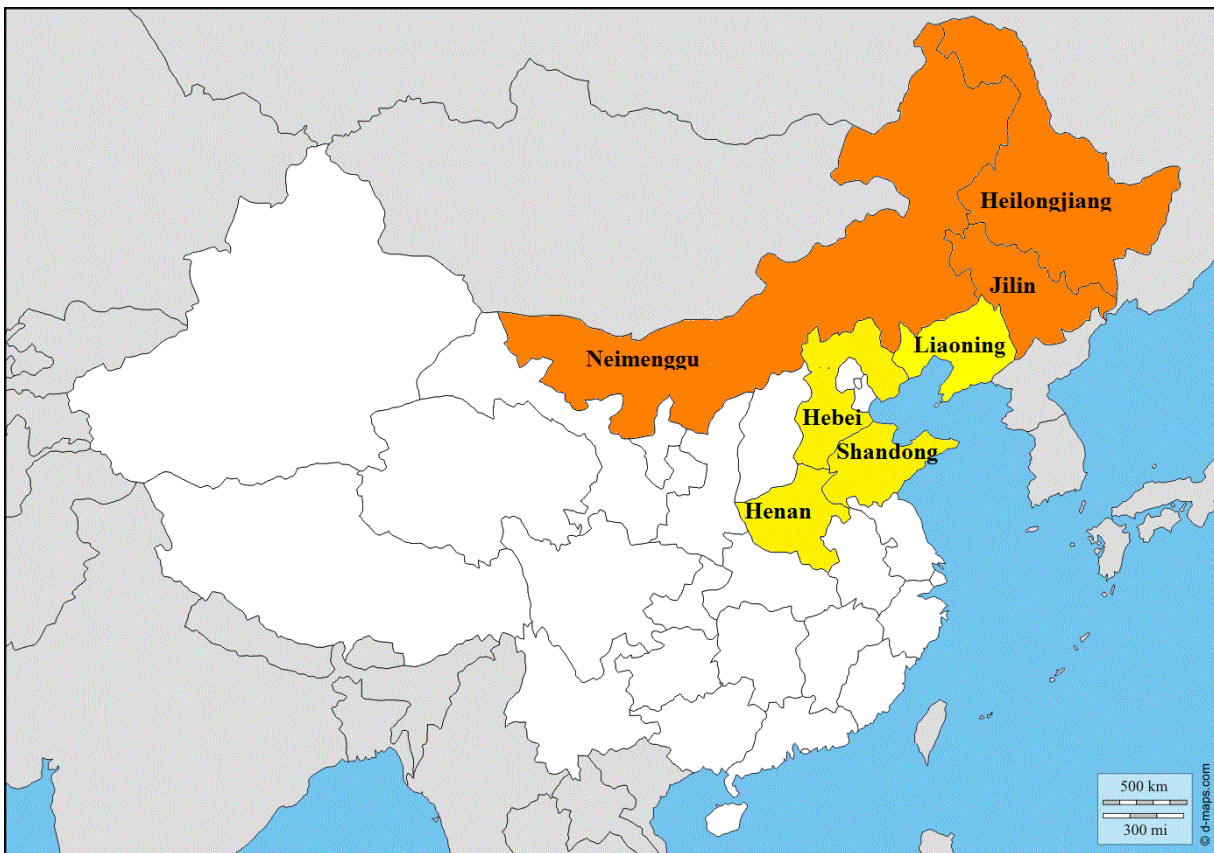


Source: China Ministry of Agriculture 2015, blank map from http://www.d-maps.com/carte.php?num_car=11570&lang=en

Legend:

- Dark Red = 37% or more of total Chinese production (Heilongjiang)
- Yellow = 5 to 10% (Inner Mongolia (Neimenggu), Anhui)

CHINA'S CORN PRODUCTION



Source: China Ministry of Agriculture 2015, blank map from http://www.d-maps.com/carte.php?num_car=11570&lang=en

Legend:

Orange = 10 to 20% (Inner Mongolia (Neimenggu), Jilin, Heilongjiang)

Yellow = 5 to 10% (Liaoning, Hebei, Shandong, Henan)

CHINA'S PADDY RICE PRODUCTION

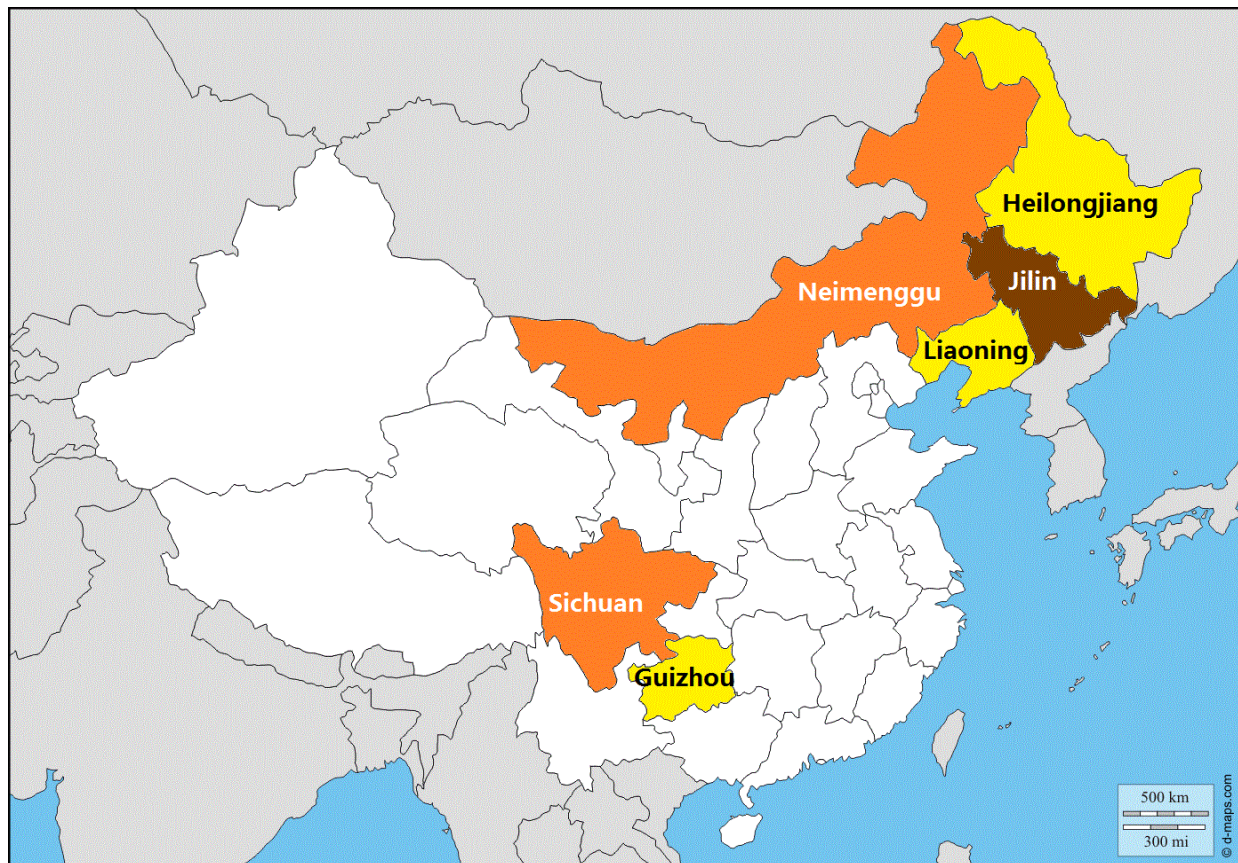


Source: China Ministry of Agriculture 2015, blank map from http://www.d-maps.com/carte.php?num_car=11570&lang=en

Legend:

- Orange = 10 to 20% (Heilongjiang, Hunan)
- Yellow = 5 to 10% (Sichuan, Hubei, Jiangsu, Anhui, Jiangxi, Guangxi, Guangdong)

CHINA'S SORGHUM PRODUCTION

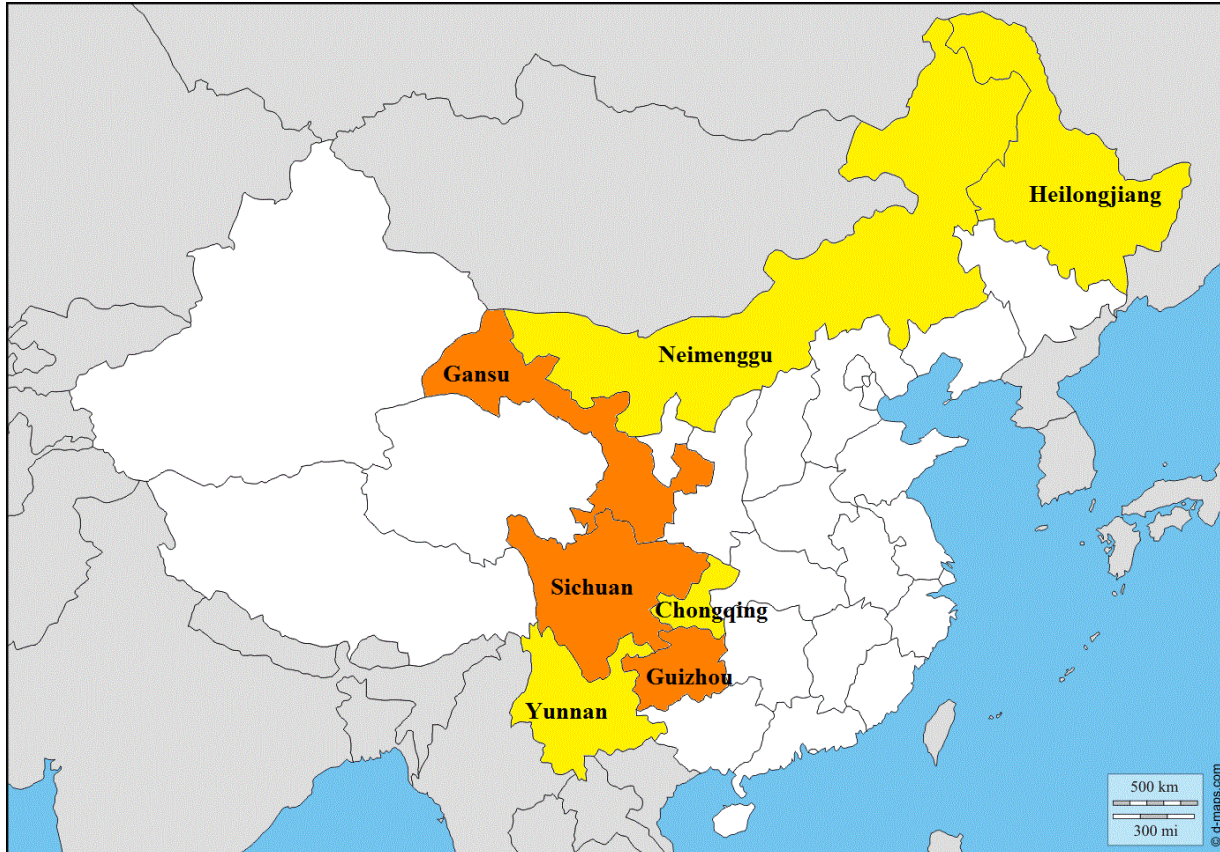


Source: China Ministry of Agriculture 2015, blank map from http://www.d-maps.com/carte.php?num_car=11570&lang=en

Legend:

- Brown = 20% or more of total Chinese production (Jilin)
- Orange = 10 to 20% (Inner Mongolia (Neimenggu), Sichuan)
- Yellow = 5 to 10% (Heilongjiang, Liaoning, Guizhou)

CHINA'S POTATO PRODUCTION

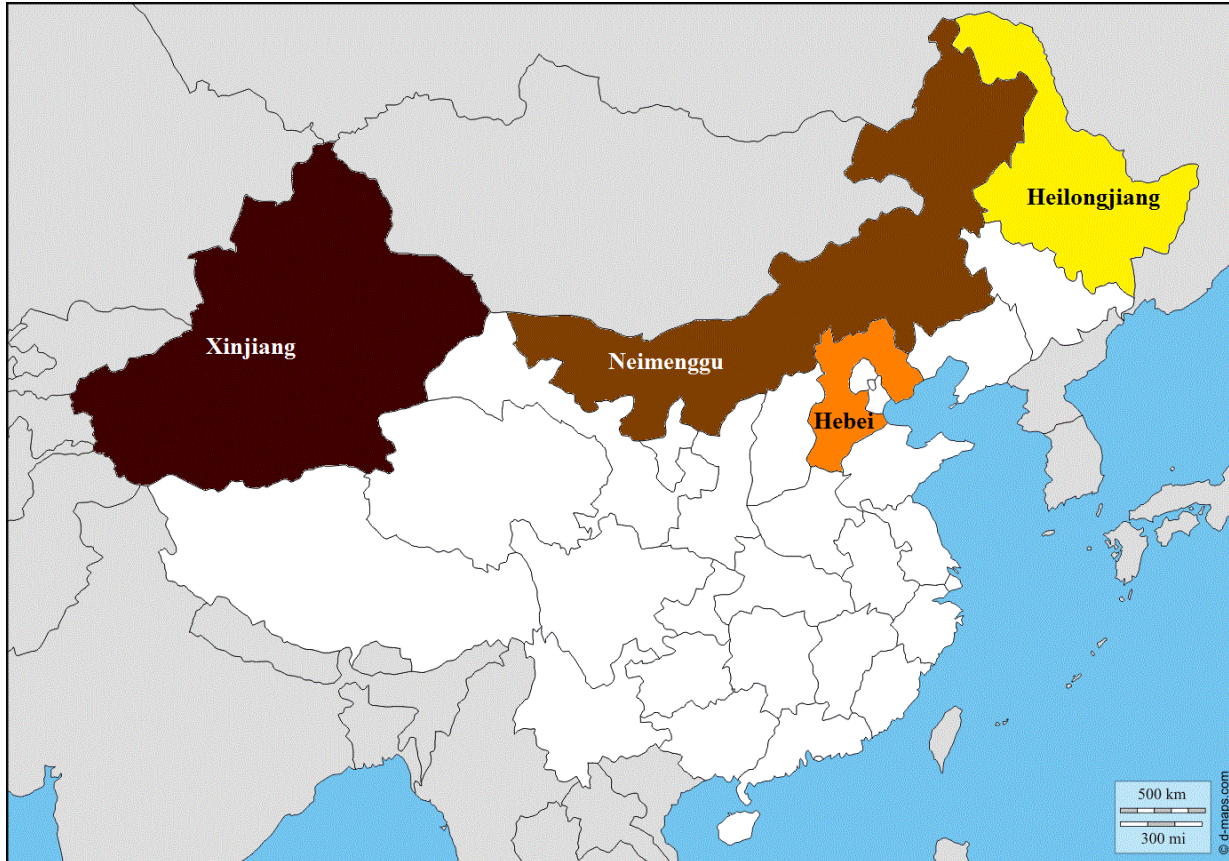


Source: China Ministry of Agriculture 2015, blank map from http://www.d-maps.com/carte.php?num_car=11570&lang=en

Legend:

- Orange = 10 to 20% (Gansu, Sichuan, Guizhou)
- Yellow = 5 to 10% (Heilongjiang, Inner Mongolia (Neimenggu), Chongqing, Yunnan)

CHINA'S SUGARBEET PRODUCTION



Legend:

- Dark Red = 59% or more of total Chinese production (Xinjiang)
- Brown = 20% or more of total Chinese production (Inner Mongolia (Neimenggu))
- Orange = 10 to 20% (Hebei)
- Yellow = 5 to 10% (Heilongjiang)

CHINA'S APPLE PRODUCTION



Source: China Ministry of Agriculture 2015, blank map from http://www.d-maps.com/carte.php?num_car=11570&lang=en

Legend:

- Dark Green = 20% or more of total Chinese production (Shandong, Shaanxi)
- Green = 10 to 20% (Shanxi, Henan)
- Light Green = 5 to 10% (Hebei, Liaoning, Gansu)

CHINA'S PEAR PRODUCTION

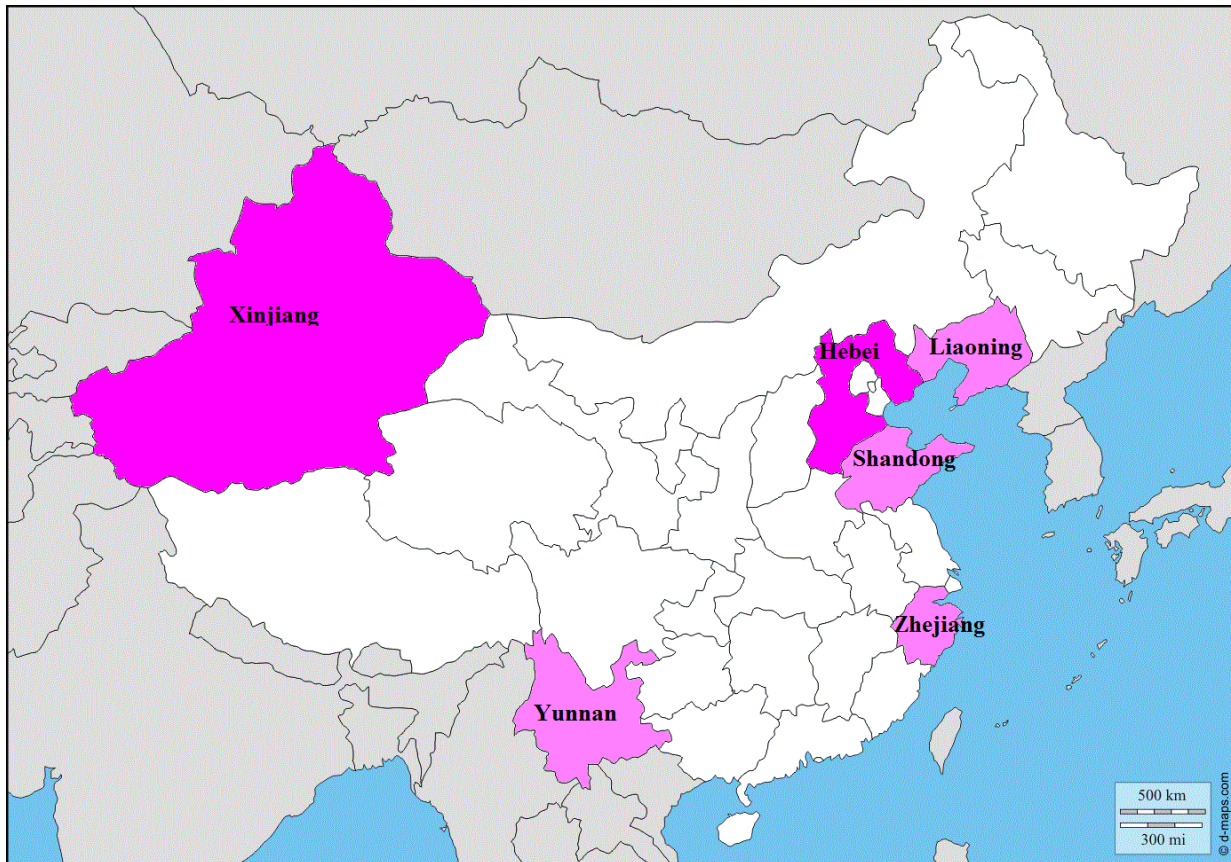


Source: China Ministry of Agriculture 2015, blank map from http://www.d-maps.com/carte.php?num_car=11570&lang=en

Legend:

- Brown= 20% or more of total Chinese production (Hebei)
- Yellow = 5 to 10% (Liaoning, Anhui, Shandong, Henan, Sichuan, Shaanxi, Xinjiang)

CHINA'S GRAPE PRODUCTION



Source: China Ministry of Agriculture 2015, blank map from http://www.d-maps.com/carte.php?num_car=11570&lang=en

Legend:

- Pink = 10 to 20% (Hebei, Xinjiang)
- Light Pink = 5 to 10% (Liaoning, Zhejiang, Shandong, Yunnan)

CHINA'S BEEF CATTLE POPULATION



Source: China Ministry of Agriculture 2015, blank map from http://www.d-maps.com/carte.php?num_car=11570&lang=en

Legend:

- Green = 5 to 10% (Inner Mongolia (Neimenggu), Jilin, Henan, Sichuan, Yunnan, Xizang, Gansu, Qinghai)
- Lime = 3 to 5% (Liaoning, Heilongjiang, Jiangxi, Shandong, Hubei, Hunan, Guizhou)

CHINESE DAIRY CATTLE POPULATION



Source: China Ministry of Agriculture 2015, blank map from http://www.d-maps.com/carte.php?num_car=11570&lang=en

Legend:

- Dark Blue = 10 to 20% (Hebei, Inner Mongolia (Neimenggu), Heilongjiang, Xinjiang)
- Blue = 5 to 10% (Shandong, Henan)
- Light Blue = 3 to 5% (Shaanxi)

CHINA'S SWINE POPULATION



Source: China Ministry of Agriculture 2015, blank map from http://www.d-maps.com/carte.php?num_car=11570&lang=en

Legend:

- Dark Red = 10 to 20% (Sichuan)
- Red = 5 to 10% (Shandong, Henan, Hubei, Hunan, Guangxi, Yunnan)
- Pink = 3 to 5% (Hebei, Liaoning, Jiangsu, Anhui, Jiangxi, Guangdong, Chongqing, Guizhou)

CHINA'S POULTRY POPULATION



Source: China Ministry of Agriculture 2015, blank map from http://www.d-maps.com/carte.php?num_car=11570&lang=en

Legend:

Dark Red	Dark Red = 10 to 20% (Shandong, Henan)
Red	Red = 5 to 10% (Hebei, Liaoning, Jiangsu, Hubei, Hunan, Guangdong, Guangxi, Sichuan)
Pink	Pink = 3 to 5% (Anhui, Jiangxi)

China's Imports of Agricultural, Fish and Forestry Products through the Port of Dalian
(Million Dollars)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
United States	2,039	2,476	1,784	2,466	1,978
World	6,027	7,120	8,342	9,478	7,531
U.S. Share	34%	35%	21%	26%	26%

Source: Global Trade Atlas

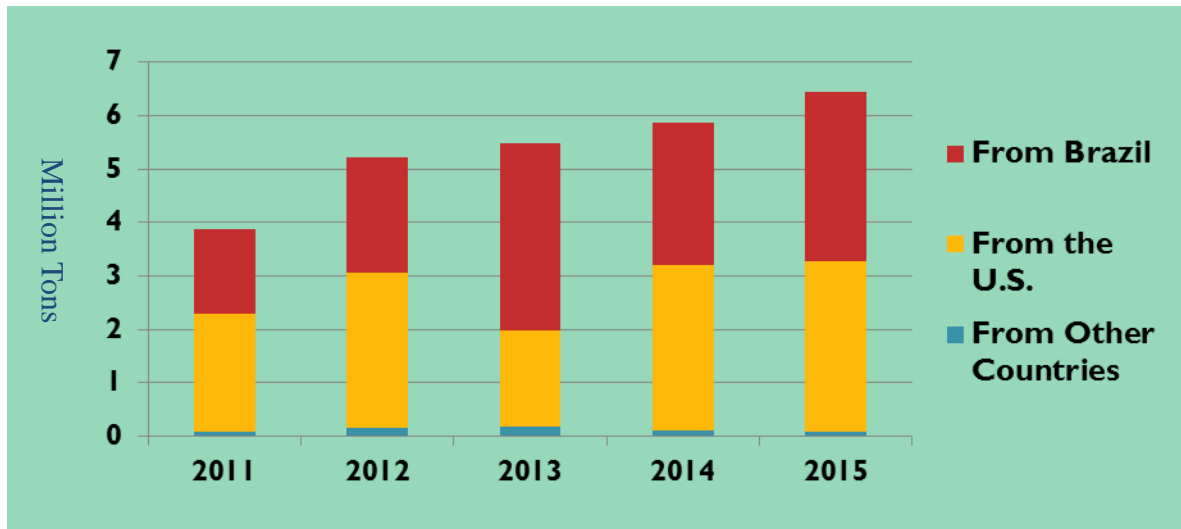
Leading Imports of U.S. Products Through the Port of Dalian in 2015
(Million Dollars)

<u>Product</u>	<u>United States</u>	<u>World</u>	<u>U.S. Share</u>
Feed	31.0	44.2	70.1%
Wood Products	59.7	171.0	34.9%
Aquatic Products	313.8	1,304.5	24.1%
Dairy	26.4	216.3	12.2%
Wine	2.5	28.5	8.8%
Pork	1.4	48.3	2.9%
Fruit	7.9	381.0	2.1%
Beer	0.1	10.0	1.0%

Source: Global Trade Atlas

Unlike soybeans and feed, Dongbei's importers of snack food, beverages, dairy products, beer and wine are smaller in scale and more fragmented. Many regional distributors prefer to work with importers located in Qingdao, Shanghai, Guangzhou, and Shenzhen because of the lack connections and experience conducting imports directly. This is partly a result of the region's past over-reliance on heavy industry and lack of direct interaction with international investors and suppliers relative to Southern and Eastern China. This expertise gap is becoming increasingly realized by provincial authorities and presents an excellent opportunity for U.S. companies seeking to expand sales to China. As a significant percentage of product including soybeans destined for consumption or processing in Dongbei often enters through third parties based in Beijing, Shanghai and Guangzhou, the figures quoted in this report underestimate that size of Dongbei's demand.

China's Soybean Imports through the Port of Dalian by Volume



Source: China: Global Trade Atlas

Total Imports of Soybeans through the Port of Dalian (Billion Dollars)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
United States	1.219	1.698	1.085	1.715	1.424
World	2.14	2.994	3.32	3.904	3.014
U.S. Share	57%	57%	33%	44%	47%

Source: Global Trade Atlas

Northeast China saw a rapid growth of agricultural product imports from 2011 to 2014; however imports slowed in 2015 as provincial officials, especially in Liaoning Province, became immersed in corruption scandals that weakened commercial confidence. Nevertheless, Dongbei is a heavy importer of U.S. products. In 2015 no less than 47 percent of soybeans imported through the port of Dalian originated from the United States. The United States and Brazil have almost equal shares of northeast China's imported soybean market.

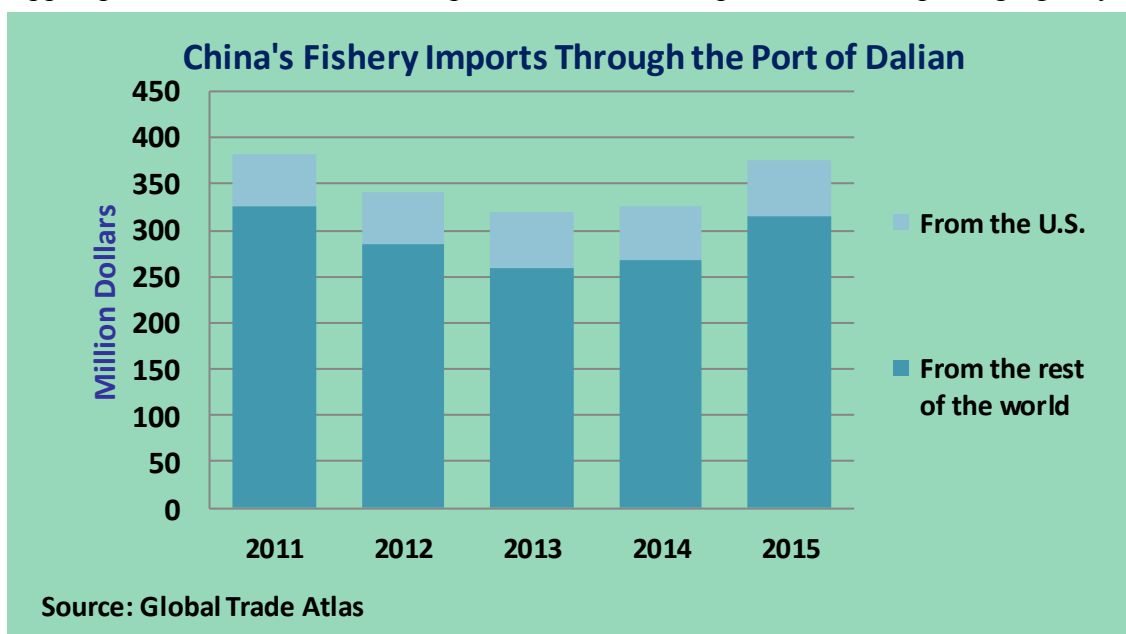
Other significant imports of U.S. products through the port of Dalian include wood products with a 35% share of total imports, aquatic products (24%), dairy products (12%), and wine (8%). In 2016 the national government dismissed or replaced dozens of officials throughout the Liaoning Government and the port authorities of Dalian have proactively worked with the Shenyang Agricultural Trade Office to streamline trade procedures. Combined with national and provincial governments urging more investment in the housing interior and hospitality industries, the Shenyang ATO expects total U.S. agriculture, forest and fishery products exports to the region to continue to grow in 2017. In 2015, soybeans accounted for 65 percent of northeast China's total agricultural imports from the United States.



**Northeast
China's
Retail**

Market

Many international retailers maintain significant operations in Northeast China, such as Carrefour, Walmart, Metro, and RT Mart. Imported foods are getting more shelf exposure as consumers' disposable income increases. Importers and distributors prefer packaging that contains individually wrapped packets. "Face value" of a product can be so important that the packaging may be more



expensive than the contents. At the same time, Chinese consumers are increasingly choosing western food when they dine out. Shenyang Yuehui Catering Company

is the largest western chain restaurant in Northeast. Yuehui Catering has 80 chain restaurants in northeast and northern China. In 2015, their annual sales reached \$44 million.

The Northeast China Food Retail Sector: Leading Grocery Store Chains (Number of Outlets)

Retailer	Ownership	Shenyang	Dalian	Changchun	Harbin	Other Cities
Carrefour	France	11	4	1	7	6
Tesco	China	7	5	0	0	9
RT- Mart	Taiwan	6	0	1	2	19
Wal-Mart	USA	4	4	5	5	7
Metro	Germany	2	1	1	1	0
Ole'	China	2	1	0	0	0
Sam's Club	USA	0	1	0	1	0
Auchan	France	1	0	0	0	0
MyKal	Dalian	0	3	0	1	0

Liaoning Province Up Close



Liaoning Province is located northeast of Beijing and borders the Korean Peninsula. Liaoning's GDP was \$455 billion in 2015 and was ranked tenth among China's 32 provinces. Liaoning's per capita GDP in 2015 was \$12,513 and is the highest in of the three northeastern provinces. Liaoning's per capita output comprises nearly half of the region's total.

Mining and heavy industry has been the traditional foundation of Liaoning's economy, as the province has the largest iron ore reserves in China. Liaoning's leading industries include manufacturing, metallurgy, petrochemicals, and agricultural processing. The Anshan and Benxi Iron and Steel Group is one of

China's leading steel makers. Brilliance Auto has a joint venture to produce BMW sedans in Shenyang.

Contrary to popular perception, however, Liaoning is home to some of the largest food importing and processing companies in China. Major players in Liaoning include Liaoning Well Hope Feed, Shenyang Toly Bread, Huishan Dairy, and, China Resources Snowflake Beer.



Headquartered in Shenyang, Liaoning WellHope is one of China's largest feed companies. Set up by executives from former state-owned enterprises in 1995, Well Hope now operates in 25 provinces and produces feed for a beef cattle, dairy cattle, swine, chicken, and aquaculture. Well Hope's sales revenue exceeded \$3 billion in 2015.

Shenyang TolyBread, also headquartered in Shenyang, was set up in 1997 and the largest bread manufacturer in all of China. With over 20 bread processing plants throughout China, TolyBread produces bakery products, bread, *zongzi* (glutinous rice dumplings) and moon cakes, a traditional Chinese snack that is often, but not always sweet, and consists of wheat pastry enfolding red bean, mung bean, or jujube paste. TolyBread products are on the shelves in over 100,000 stores throughout over China. TolyBread's sales revenue reached a record \$400 million in 2015.

Liaoning Huishan Dairy, another Shenyang firm, is the largest dairy processor in Liaoning and produces fresh milk, yogurt and baby formula. Huishan owns over 200,000 head of dairy cattle on 82 dairy farms throughout the province. After years of importing U.S. alfalfa, Huishan started planting its own alfalfa in 2012. Alfalfa acreage reached over 80,000 acres in 2015. Huishan's pasteurized milk, called Dr. Fresh, is recently gaining more popularity in Dongbei.

With its proximity to the Pacific Ocean and its moderating climate, Liaoning is one of China's major apple and pear production areas. Liaoning is also the only producer of a special variety of pears called *Nanguo*. *Nanguo* pears are the most popular pear in the Northeast. Annual production of apples and pears reached respectively 2.47 million tons and 1.37 million tons in 2015. Liaoning also produces grapes, strawberries, cherries and blueberries and all manner of exotic fruits, such as maiden fruit and cloud berries. That said, Liaoning household incomes have risen greatly in recent years and consumer concerns regarding domestic pesticide use have intensified. Thus, imported U.S. fruits are gaining

ground here and throughout the Northeast. Popular imports include apples, pears, bananas, cherries, blueberries, grapes, kiwi, citrus, plums, oranges, pineapples and avocados.

Dongbei's largest fruit importer is the Yidu Group. Based in Dalian, the Yidu Group has branches in Beijing, Shanghai, Guangzhou, and Los Angeles. Dongbei's second largest fruit importer is Qupai. Headquartered in Shenyang, Qupai accounts for about 70 percent of the fruit imported into Shenyang's wholesale fruit market. Other major Chinese national players, such as Joyvio Xinrongmao, also have operations in the northeast fruit market.

The sea off of Dalian abounds with quality seafood, such as abalone, sea cucumber, scallops, prawns, crabs and sea urchin. Liaoning's fishing and seafood processing industry are well developed. Dalian in the spring of 2016 upgraded its thirty-year old farmers market into a modern, three-story, refrigerated urban center suitable for wholesalers, restaurants, processors, and consumers. Boston lobster and Washington geoduck clams are sold throughout the market.

Some 90 kilometers north of Dalian is the town of Zhuanghe which is one of the key seafood re-processing centers of China. Zhuanghe has over 80 seafood processing plants and most of them rely on imported seafood for consumption and further processing. The United States, Canada, Russia and the European Union are the major international suppliers. Most of Zhuanghe's re-exports go to mainly Japan and South Korea. U.S. seafood is extremely popular in Dongbei, with the U.S. enjoying a 36-percent share of the import market by value in 2015. With better connections with importers, distributors and processors, ATO Shenyang expects U.S. seafood exports to the region to continue to grow. Liaoning Zhongxin is one of the key U.S. seafood importer and processor in Dalian, and imported \$40 million of seafood in 2015.

Liaoning has a significant domestic tourism industry and this in turn has reinforced the growth of the province's food service and hotel industries. As of 2016, Liaoning has 33 five-star hotels. Dalian as the southernmost city of Dongbei is the most popular destination. With its gentler weather, beautiful beaches, and excellent seafood, Dalian is popular with Chinese from other provinces as well as Russians, Koreans, and Japanese. Dalian also has an international trade center and 6 five-star hotels, including the Hyatt, Hilton, and Intercontinental.

Food consumption in E-commerce in Liaoning is dominated by national players such as TMall, JD.com, Amazon, and Dangdang. As of 2016, there are no major regional E-commerce providers of national stature in Dongbei. That said, Dongbei E-commerce companies are making major forays into the fresh food business, including fruit, poultry, and meat. Local E-commerce companies are more competitive than those located in Shanghai and Beijing. Major media platforms in Liaoning include Liaoning TV, *The Shenyang Daily Post*, *The Dalian Daily Post*, and the *Liao Shen Evening Post*. Like the rest of China, more and more people are getting their news online. Liaoning's leading web company is *Dongbei net* and the cell phone application WeChat is as essential to daily life as light.

The Central Government in Beijing Liaoning recently approved Liaoning to receive free-trade zone status. Provincial authorities are expected to select the target city by the end of 2018. Once that occurs, ATO Shenyang expects U.S. imports to grow rapidly.

Jilin Province Up Close



Jilin is a landlocked province located between Liaoning and Heilongjiang Provinces. Jilin has an extensive border with North Korea and a minor border with Russia. In 2015 Jilin's GDP reached \$231 billion for the province and a per capita GDP of \$8,100. Jilin is best known for its predominant position in China's automobile industry. The China First Automobile Works, China's largest automobile company is located in Changchun, Jilin's capital city. Another major city is Jilin City, which is the home to the China National Petro Company.

Jilin is one of China's major grain producers, especially corn, paddy rice, and soybeans. Jilin has enjoyed its highest corn output in years and has even surpassed Heilongjiang Province, China's traditional number one corn producer, in 2016.

Located in Changchun and set up in 1998, Haoyue Foods Company is China's largest beef processor and exporter. Haoyue produces feed, leather, organic fertilizers, and fresh and processed meat products. Haoyue has beef and lamb processing plants in Jilin as well as in Heilongjiang and Henan Provinces. Haoyue exports beef to the Middle East, Southeast Asia, and Russia. Its sales revenue in 2015 reached roughly \$200 million.

Jilin's tourism industry is the most sophisticated of the three provinces. Jilin has ski resorts in 10 regions including Changchun, Jilin City, Changbaishan, Baicheng, Songyuan, Tonghua, Yanbian, Liaoyuan, Siping, and Baishan. The Province regularly posts full-page ads in the major newspapers. Given the prominence of the region's tourism, the province also sponsors the Annual Snow and Frost Festival (Song Hua Jie 松花节) which runs from late December to early February every year in Jilin City.

As of 2015 Jilin has 10 five-star hotels. Five of these are located in Changbaishan National Nature Reserve. Changbaishan is home to the scenic Heaven Lake which is China's largest volcanic lake. Changbaishan attracted 3 million visitors in 2015. The resort's five-star hotels include Sheraton, Westin, Park Hyatt, Hyatt Regency, and Holiday Inn Resort.

Jilin Shijian Catering is the largest western restaurant chain in the province, with 12 restaurants in northeast China. Jilin Z-SPACE Catering Company has a steak restaurant in Changchun and Shenyang. Jilin Z-SPACE serves high-end meat cuts, including U.S. pork.

Jilin's major communications media include Jilin TV, *The Changchun Daily Post* and *The Changchun Evening Post*. Online media and Social Media are very popular in the region, with Jilin Net being the biggest internet service provider. Although Jilin has no major E-commerce companies, we see that regional importers are seeking E-commerce business opportunities by working with national E-commerce players. For example, Jilin Qiyuan Frozen Foods, a Chinese distributor of U.S. seafood, supplies product to TMall, China's largest E-commerce company. Jilin Qiyuan, which specializes in fresh food marketing, is expanding its E-commerce business with SF Best, another national E-commerce player.



un's

Heilongjiang Province Up Close



Heilongjiang is China's northernmost province with Inner Mongolia to the west, Jilin Province to the south, and Russia to the north and the east. Heilongjiang has several rivers, the largest of which is the Heilongjiang River.

In 2015 Heilongjiang's GDP reached \$235 billion and its per capita GDP was \$6,150. Heilongjiang is the largest agricultural province in China in terms of grain and soybean production. Heilongjiang produces 85 percent of Dongbei's soybeans, 68 percent of Dongbei's rice and 46 percent of the region's corn. Heilongjiang is also a major dairy producer, with the second largest number of dairy cattle after Inner Mongolia. The companies Feihe and Wondersun are Heilongjiang's largest dairy producers.

The Heilongjiang State Farm (HSF), which is under the direct administration of China's Ministry of Agriculture, is one of China's two major state farms. Owning about one quarter of Heilongjiang's cropland, HSF produces one third of the province's total grain. HSF is the most mechanized agricultural producer in all of China. HSF processes soybean oil and dairy products.

Jiusan is the province's largest oil crusher and biggest importer of U.S. soybeans. In 2015, Jiusan imported seven million metric tons of soybeans, mainly from Brazil and the United States.

Jiusan soybean oil is one of China's few national brands of

agricultural product and advertises its product on national TV. HSF also owns Wondersun Dairy which is the fifth largest dairy producer in all of China.

The province is home to the largest virgin forest in all of China. Heilongjiang's Greater Khingan Mountain Range is home to forest lands is especially important to China's timber industry.

Heilongjiang is a key Sino-Russian trade area. Russia is Heilongjiang's biggest trade partner with over one quarter of China's trade with Russia conducted through Heilongjiang. Heilongjiang's timber and soy cooperatives are also starting to lease forest and farmland north of the border in Russia for export into China.

In recent years, Heilongjiang has strong economic ties with the United States, especially the State of Wisconsin due to the sister-state relationship established in 1982. Several major American companies, John Deere, Case New Holland (CNH), and Coca Cola, have investments in Heilongjiang.

Harbin has 15 five-star hotels in 2015. Shangri-La will open its second five-star hotel in Harbin in December of 2016. Harbin hosts China's most famous International Ice and Snow Festival and every year attracts millions of tourists. Harbin has several Russian restaurants, including Portman, a restaurant chain. Portman's annual sales reached \$10 million in 2015.

Heilongjiang's major media providers include Heilongjiang TV, *The Heilongjiang Daily Post*, *The Harbin Daily Post* and *The Heilongjiang Morning Post*. Like other Dongbei provinces, Heilongjiang has no national players in the E-commerce business. Cross border E-commerce with Russia is expanding due to its proximity. ATO Shenyang notes that the demand for Russian foods via cross border E-commerce is increasing.

Dongbei's Food Culture

Dongbei is home to its own regional cuisine. Dongbei cooking is hearty, often roasted, and flavored with garlic, salt, and cumin. A single serving of chicken soup can offer half a chicken. Up and down the streets of every town are “*shaokaos*” or local eateries specializing in barbecued beef, lamb kebobs, and extra-large bottles of beer. Coastal towns also love to serve fresh scallops and prawns. Dongbei diners prefer good value for their evening out and seldom spend more than \$15 per person. Fancy restaurants come and go, but *shaokaos* are forever.



Dongbei cooking favors the use of potatoes, carrots and other tubers in stir-fries. Northeastern cooking is famous throughout all of China for its tofu dishes, which can vary from the silky smooth tofu puddings served with meat gravy and green onion to firm bean curd flavored with five spice powder and stir fried with pork and celery. Dongbei is also China's pre-eminent producer of fungi, including white wood ear, black wood ear, button mushrooms, enoki mushrooms, black mushrooms, among many others. In fact, Jilin Province is seeking to have its own type of cuisine, which includes all kinds of mountain

herbs, such as fiddle head ferns and tea mushrooms, nationally recognized.

The Russian influence is particularly pronounced in potato based soups, cabbage dumplings, and all manner of sausages. The people of Dongbei particularly enjoy lamb and beef, especially if it is served with lots of hot pepper and local Chinese liquor which is often more than 80 proof. Last but not least, Dongbei cooking has dozens of varieties of its own pickles, salads made of slivered green and purple cabbage, and marinated vegetables. Resembling Korean kimchee, many local pickles such as bamboo in chili oil or salty radish, are creations unique to the region and are as essential to a meal as salad is a mainstay of a proper American meal. Dongbei is also home to the finest Japanese sushi, Korean barbecue, Russian shashlik restaurants and American bakeries



in China.

Because of this tremendous exposure to cuisines from around the world (not to mention Cantonese and Sichuanese cooking better than what can be found in Beijing), the Northeastern Chinese are very open to American food. Their bakeries produce top notch croissants, donuts, pies and cakes. However, many middle class people in the region have only a limited knowledge of American food. The good news is American fast food chains, such as KFC and Pizza Hut, can be found everywhere and many of the region's leading hotels are seeking to expand their clientele through launching food festivals featuring the best of U.S. cuisine. The ATO sees strong potential in marketing U.S. regional cuisines such as the kielbasa and pierogis of Chicago and Pittsburgh, Cajun seafood of Louisiana, Tex-Mex dishes from the Southwest, and the zesty soups, pork roasts of New Mexico. There is also interest in the hearty clam soups and lobster entrees of New England – especially when accompanied by the fruity red U.S. wines which are known both for their flavor and affordability.

Hot Consumer Trends:

Popcorn: Flavored popcorn is the rage here in the Northeast. The stores may have all kinds of flavored potato chips but street vendors everywhere selling popcorn flavored with butter, caramel, black sesame and chili pepper.

Bottled Beverages: Bottled beverages are very hot in Dongbei and all of China. This includes everything from flavored coffees to sports and energy drinks.

Bakery Ingredients: Unlike other aspects of American cuisine, bakery items and ingredients are very popular in China – but with hotels and bakery chains rather than consumers. The number of high quality bakery companies and chains in Northeastern China is exploding. Holiland has dozens of outlets in Northeastern China. Northeastern consumers also prefer larger croissants and donuts that are nearly twice the size of U.S. versions. Customers also prefer to order a variety of baked items rather than any one particular flavor.

Red Wine: Northeastern Chinese greatly prefer red wine over white wine for its more full bodied flavor and color. Red is culturally considered to be the color of wealth, success and prosperity. They also prefer the fuller, sweeter varieties of red wine, such as Cabernet Sauvignon and Merlot. White wine is not well regarded because of its pale color and relatively pale flavor.

Premium Packaging: A major selling point is prestige. Chinese consumers, managers, retailers, and wholesalers want to offer high-end products. National television and major papers frequently run advertisements emphasizing “dreams come true,” thus products, be they premium wine, snack crackers, holiday cookies, sauces, confectionary, even pork and seafood, benefit from quality packaging.

Introducing U.S. Products to the Dongbei Market: Getting Off on the Right Foot

American ingredients, by and large, are still foreign to Dongbei audiences, especially those outside of Beijing and Shanghai. The Chinese on the whole do not own ovens, toasters, blenders or microwaves. Marketing foods that require these technologies will be less attractive, especially if the product is meant to be prepared at home.

It is important to realize that the Chinese do not bake. Thus, when targeting bakery ingredients, target professional bakers and not all consumers. To better target bakers, cooking promotions and tastings should especially include young media bloggers. Bloggers can post the pictures and the stories to create demand for something that no one has ever eaten before. That said, the Chinese are very ready to purchase ready-to-eat snacks and cookies and will pay premium prices – double and even triple what the same item would cost in a U.S. bakery – if it is well presented and can be marketed for weddings and business receptions.

Chinese consumers and companies, especially those in the Northeast, are very conservative when it comes to food. They seek familiar ingredients, familiar cooking techniques (e.g., stir fry), familiar presentations (diced and cooked for entrees or preserving their natural colors and shapes for snacks and beverages), and recipes that would be appropriate for a Chinese meal. For example, Northeasterners’ appreciation for cheese is still in its early stages, where it is seen chiefly as a snack for direct consumption only. Meat or seafood preparations that have added cheese are not welcome. When cheese is wanted, Dongbei buyers prefer European cheese or do not even realize that American states even produce cheese.

U.S. companies new to exporting to China, especially the Northeast, may wish to consider targeting one product first rather than introducing all product lines. As American food culture and food processing technology are not well understood in China, product recognition rather than company recognition is essential to market entry and branding.

U.S. companies should consider which of their products would be the most familiar to the Chinese buyer. The following questions should help guide the exporter/producer to select the optimal product to introduce at trade shows:

- Is it wok friendly or does it require some other kind of technology? (Most Chinese do not bake and many Chinese do not like to use microwaves for cooking.)
- Is it familiar to the Chinese diet or unfamiliar?
- If it is a traditional item, such as a spice, a fruit, a grain, what makes it superior to the Chinese product?
- If it is an item unfamiliar to the Chinese diet, such as a powdered drink or frozen snack, will the label explain how to use it as well as convey its flavor and nutrition profile?

Labeling and Packaging that Wins Customers

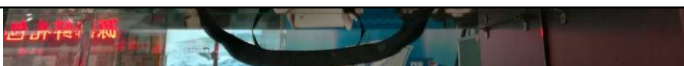
- Putting the name of your state of origin or “made in the U.S.” in bigger font also helps you stand out. Clearly stating the U.S. origin of the product is like gold to Chinese consumers.
- Good images are things that emphasize U.S. origin, the countryside, cowboys, or nature. The Chinese already know U.S. products are safe and healthy. A good label helps the product stand out even without reading it. U.S. wine producers make wonderfully attractive labels and red wine is starting to take off in Dongbei.
- Consider a stick on-recipe in Chinese on the label to make it easier for the consumer to enjoy using the new ingredient.
- Good labels are in bright colors, often with gold trim, and clearly reflect the product’s U.S. origin. They are also iconic, often using cowboys, ranches and farm scenes to convey identity. Red and gold are culturally considered to be the colors of wealth, success and prosperity.
- Packaging should not be entirely transparent – as this looks like it is a wholesale pack and it should not be entirely opaque – as it keeps the consumer from seeing the contents.
- Packaging ideally should contain individually wrapped portions for gifting and sharing.
- For the Chinese, any kind of food, from chocolate to lobsters, six-packs of beer to premium wine, may be gifted. For the Lunar New Year holidays, not only do Fortune 500 companies present finely packaged food gifts to their star employees, but also virtually everyone buys a food gift for their immediate and distant relatives, co-workers, important contacts, classmates and close friends.
- Even products that are considered everyday commodities in the United States, such as crackers and cookies, are seen in China as excellent gifts, especially if packaged in quality outer bags that contain mini-packets.

For the legal specifics on China’s labeling and packaging requirements, please refer to FAS Beijing’s Food and Agricultural Import Regulations and Standards Report (FAIRS)

<https://www.fas.usda.gov/data/china-fairs-country-report>



Qiyuan Foods, a seafood distributor based in Changchun, Jilin Province, has developed fancy gift packaging for U.S. lobster and seafood for gifting



And Now That You Have Caught Their Attention -- Dongbei Trade Show Tips

- Bring business cards in English and Chinese.
- If it is not clear from the company name, make sure business cards list or illustrate the kind of products available for sale.
- Choose a product that can be used using traditional Chinese cooking techniques (basically a wok fryer).
- Choose just 1-3 products for the first trade show and select products that are relatively familiar to a Chinese consumer, such as a marinade, a soup, a beverage, a crispy snack, a mildly sweet snack ... as opposed to microwavable peanut butter sandwiches!
- Rather than emphasize how new your product is (an American value), emphasize how old and experienced your company is (a Chinese value).
- Rather than emphasize how your products “reduces antioxidants” and other fancy buzz words, focus on a label and package that has bright colors, clear images, and lets the buyer see some of the product.
- When at the show, introduce consumer-friendly ways to use your foods as ingredients as well as making it available for direct consumption as a snack.

Annual Agricultural Shows in Northeast China

<u>Month</u>	<u>Event Name</u>	<u>2017 Dates</u>
April	China Dairy Expo in Harbin	April 22 to 24
June	Sino-Russia Expo in Harbin	TBD
July	Dalian Wine Festival	TBD
July	Harbin Beer Festival	July 1 to 18
July	Dalian Beer Festival	July 30 to August 10
August	International Furniture Expo in Shenyang	August 5 to 7
August	Jilin Ag Product Expo in Changchun	TBD
September	Heilongjiang Green Food Expo in Harbin	TBD
September	Liaoning Agriculture Product Expo in Shenyang	TBD



Regional Trade Show Facilities: In China it is all too common to find exhibition halls far removed from major city hubs and lacking housing and business facilities. By contrast, each of Dongbei's capitals offers fine exhibition sites that are spacious and have good flow. However, recent urban traffic development can stretch a three-mile taxi ride from hotel to exhibition hall into a 30-minute long haul.

The good news is that on March 1, 2017, Shenyang will open the Shenyang New World Expo right on the banks of the Hun River in the heart of the city, the new convention center is just 15 minutes from the airport and located on the city's Golden Road, a three-kilometer

stretch of Shenyang's best department stores, malls, and also the home of the U.S. Agricultural Trade Office. New World Expo will also have its own subway stop.

Built with U.S. engineering and Chinese investment, Shenyang New World Expo will have a capacity to host 1,095 conference booths; carry out simultaneous interpretation in eight languages; and offer its own five-star hotel and shopping mall. New World Expo's meeting room facilities are on par with the World Trade Organization's conference rooms in Geneva, Switzerland.

For U.S. business visitors looking for a more intimate space to meet with valued Chinese customers, the U.S. Agricultural Trade Office offers an excellent meeting space designed to handle anywhere from four to a dozen visitors. Our contact information may be found at the end of this report.

How to Contact the U.S. Agricultural Trade Office in Shenyang

If you would like additional information or guidance on how to export U.S. agricultural, forestry and fishery products to Northeast China, please contact the Agricultural Trade Office of the United States Consulate in Shenyang. We will be glad to orient you and your company to potential buyers, distributors, and significant trade show. Please recall that Shenyang is 15 hours ahead of West Coast Time and 12 hours ahead of East Coast Time. Our contact information is below:

Roseanne Freese

Director

Cell: +86-1862-400-5361

Email: Roseanne.Freese@fas.usda.gov

Zhang Rongsen (Rex)

Marketing Specialist

Cell: +86-1854-002-6009

Email: Rex.Zhang@fas.usda.gov

Wang Xiaoju

Marketing Specialist

Cell: +86-1854-002-6152

Email: Xiaoju.Wang@fas.usda.gov